

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Nineteenth Annual Report



For the Year Ended December 31, 1970

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Head Office:
600 Dorchester Blvd. W.,
Montreal, Quebec.

Executive Office:
67 Yonge Street,
Toronto, Ontario.

CAPITAL

Authorized: 3,500,000 shares \$1.00 Par Value

OFFICERS

ROBERT D. HOFFMAN	-	-	-	-	<i>President</i>
FRED W. THOMPSON	-	-	-	-	<i>Vice-President</i>
D. J. HOFFMAN	-	-	-	-	<i>Vice-President</i>
B. A. ORR	-	-	-	-	<i>Vice-President</i>
B. A. ORR	-	-	-	-	<i>Secretary-Treasurer</i>

DIRECTORS

ROBERT D. HOFFMAN	-	-	-	-	New York
FRED W. THOMPSON	-	-	-	-	Toronto
B. A. ORR	-	-	-	-	Toronto
L. B. NORRIE	-	-	-	-	New York
D. J. HOFFMAN	-	-	-	-	New York

TRANSFER AGENTS AND REGISTRARS

THE PREMIER TRUST COMPANY
19 Richmond St. West, Toronto, Ontario

GUARDIAN TRUST COMPANY
618 St. James Street, Montreal, Quebec

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Directors' Report to Shareholders

Montreal, Quebec,
March 15th, 1971.

TO THE SHAREHOLDERS:

Your Directors herewith submit a report of operations and the Financial Statements of the Company for the fiscal year ended December 31, 1970, together with the Auditors' Report to Shareholders.

IRON PROPERTIES, MT. WRIGHT, QUEBEC

During the past year, study of the data has continued and discussions with outside parties, capable of furthering exploration and of development of our properties, have progressed.

OTHER PROPERTIES

Ontario

Our participation in the Sudbury mining district of Ontario with Frood Deep Nickel Mines Limited has been terminated.

Exploration work at the Kapkichi Nickel Mines Limited option to Union Miniere Explorations and Mining Corporation Limited continues.

GENERAL

Your Directors regret to announce that Mr. J. Austin Murphy, Q.C., General Counsel of our Company since its incorporation in 1952, passed away in September, 1970. His services and wise counsel will be missed by all of us. We are pleased to announce the appointment of Mr. Alexander McT. Stalker, Q.C., of Montreal, to succeed Mr. Murphy.

Again we regret to say that no property of promise was acquired during the past year in our activities in Canada and the United States. Exploration this coming year will be centred principally on our Quebec Mt. Wright iron ore properties.

On behalf of the Board,

ROBERT D. HOFFMAN,
President.

QUEBEC COBALT AND

(No Per
Incorporated un
and its su

Consolidated Balance

(with comparative f

ASSETS

CURRENT ASSETS	1970	1969
Cash and term bank deposits	\$ 116,139	\$ 137,672
Accounts receivable	4,196	1,013
Income taxes recoverable	1,480	3,600
Due from associated company	4,000	2,200
	<u>125,815</u>	<u>144,485</u>
SECURITIES		
Quoted shares and trust units at cost (quoted market value, 1970 — \$602,212; 1969 — \$690,719)	511,012	511,012
Other securities at cost less amounts written off	211,719	211,719
	<u>722,731</u>	<u>722,731</u>
MINING CLAIMS		
Interest in mining claims in the Mount Wright Area, Quebec, held under development licences, acquired for 1,000,000 shares of the company's capital stock issued at 3¢ per share and \$1,001 cash	31,001	31,001
Other claims, at cost		1,200
	<u>31,001</u>	<u>32,201</u>
SPECIAL REFUNDABLE TAX		3,920
	<u>\$ 879,547</u>	<u>\$ 903,337</u>

AUDIT

To the Shareholders of
Quebec Cobalt and Exploration Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Quebec Cobalt and Exploration Limited for the year ended 1970 and the consolidated statements of income, retained earnings and source of funds and the explanations we have required. Our examination included a general review of the evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, the consolidated statements are properly drawn up so as to exhibit a true and correct view of the financial position, operations and the source and application of their funds for the year then ended, and in accordance with that of the preceding year.

Toronto, Canada
March 5, 1971

EXPLORATION LIMITED

(a company limited by
guarantee and the
laws of Quebec)
company

— December 31, 1970
(December 31, 1969)

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,354	\$ 9,228
OTHER LIABILITIES		
Accrued pension liability (note 2)	106,400	97,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized and issued — 3,500,000 shares of \$1 each	3,500,000	3,500,000
Less discount on shares	2,916,496	2,916,496
	583,504	583,504
RETAINED EARNINGS	186,289	213,605
	769,793	797,109

Approved by the Board:

F. W. THOMPSON, Director.

B. A. ORR, Director.

\$ 879,547	\$ 903,337
------------	------------

REPORT

Exploration Limited (No Personal Liability) and its subsidiary company as at December 31, 1970, have obtained all the information and supporting procedures and such tests of accounting records and other supporting

information to us and as shown by the books of the companies, these consolidated financial statements represent the affairs of the companies as at December 31, 1970 and the results of their operations in accordance with generally accepted accounting principles applied on a basis consistent

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Income

Year ended December 31, 1970
(with comparative figures for 1969)

REVENUE	1970	1969
Royalties from lease of mining claims		\$ 27,000
Dividends and other royalties received	\$ 41,489	34,193
Interest earned	8,450	11,435
Loss on oil well operations	(2,049)	(6,480)
	<u>47,890</u>	<u>66,148</u>
EXPENSES		
Exploration		
Geologist's salary and expenses	4,351	10,523
Prospector's salary	6,000	12,000
Licences and taxes	6,250	4,580
Travelling and other prospecting expenses	10,122	23,132
Mining claims written off	1,200	
	<u>27,923</u>	<u>50,235</u>
ADMINISTRATIVE AND GENERAL		
Office services	10,745	19,834
Shareholders' reports and meetings	4,045	2,684
Directors' fees	304	524
Directors' expenses	298	610
Share transfer expenses	939	1,310
Legal and audit expense	1,600	2,035
Executive salaries	8,610	22,200
Provision for pension costs	9,400	19,400
Organization expenses written off		2,580
Other administrative and general expenses	1,465	1,196
	<u>37,406</u>	<u>72,373</u>
	<u>65,329</u>	<u>122,608</u>
Loss before income taxes and extraordinary items	17,439	56,460
Income taxes (note 4)	3,600	1,106
Loss before extraordinary items	<u>21,039</u>	<u>57,566</u>
Extraordinary items		
Loss on freeing of Canadian dollar	(6,277)	
Profit on securities sold		21,003
Recovery of 1966 income taxes due to 1967 loss		7,000
Loss for the year	<u>\$ 27,316</u>	<u>\$ 29,563</u>

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Retained Earnings

Year ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Balance at beginning of year	\$ 213,605	\$ 243,168
Loss for the year	27,316	29,563
Balance at end of year	<u>\$ 186,289</u>	<u>\$ 213,605</u>

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
SOURCE OF FUNDS		
Special refundable tax	\$ 3,920	
Sale of securities (less \$21,003 profit included in net income)		\$ 29,298
	<u>3,920</u>	<u>29,298</u>
APPLICATION OF FUNDS		
Loss for the year	27,316	29,563
Deduct items not requiring current outlay		
Provision for pension costs	9,400	19,400
Mining claims written off	1,200	
Organization expenses written off		2,580
	<u>10,600</u>	<u>21,980</u>
	16,716	7,583
Purchases of securities		37,176
	<u>16,716</u>	<u>44,759</u>
Decrease in working capital	12,796	15,461
Working capital at beginning of year	135,257	150,718
Working capital at end of year	<u>\$ 122,461</u>	<u>\$ 135,257</u>

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Notes to Consolidated Financial Statements

December 31, 1970

1. BASIS OF CONSOLIDATION

The consolidated financial statements included the accounts of a wholly owned subsidiary company which holds U.S. oil interests.

2. PENSION COSTS

The company has agreed to pay pensions to certain employees upon their retirement. The pension cost related to past services of employees and not provided for at December 31, 1970 is estimated to amount to approximately \$8,000. This cost is being charged to income over the estimated terms of service of the employees.

3. COMMITMENT TO ADVANCE FUNDS

The company has entered into agreements, as amended, to advance to Froid Deep Nickel Mines Limited, on request, up to \$150,000 on or before March 31, 1971. Such advances are to be repayable on March 31, 1972 with interest at the rate of 6% per annum. At any time on or before March 31, 1972 either Quebec Cobalt or Froid Deep may require payment of the loan by the issue of shares of Froid Deep at 60¢ per share.

4. INCOME TAXES

The provision for income taxes represents substantially U.S. withholding tax on dividends and royalties, less a recovery in 1969 of prior year's Canadian income taxes of \$2,200 due to the application of a portion of the 1969 loss.

